



Office of the Chief Executive

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July 23, 2018

Mr. Jim Nash
Water Resources Commissioner
Oakland County

Ms. Candice S. Miller
Public Works Commissioner
Macomb County

Mr. Robert J. Daddow
Oakland County Representative
GLWA Board of Directors

Mr. Brian Baker
Vice Chairman & Macomb County Representative
GLWA Board of Directors

Dear Colleagues:

Thank you for your thoughtful letter outlining the various matters that must be considered as we evaluate the methodology for allocating the costs of providing service to our Sewer Member Partners in future years. It is always energizing to witness the willingness of member partners to engage in critical issues facing the Great Lakes Water Authority (GLWA). Please allow me to comment briefly on each of the matters you raise.

- 1) The National Symposium:** We agree that the National Symposium provided a great deal of value to GLWA and its Member Partners. The principal goal of the Symposium was to gain knowledge and understanding of strategies and approaches that are applied elsewhere, and if and how they could be utilized in Southeast Michigan. Reaching a consensus was not a goal of the Symposium. Nonetheless, there were a few issues in follow-up where directional alignment resulted. Although it is still our intent to provide data to GLWA's Board of Directors for their consideration in the FY 2021 budget and charge proposals, we do not believe it would have been prudent to launch significant efforts toward future wastewater cost allocation and charge design while the FY 2019 charge proposals were still under review by the Board of Directors. There is much effort to be made to take us to charge development for FY20. Your request to establish a more detailed timeline and work plan for the next update of Sewer SHAREs is precisely the go forward plan that we laid out at the conclusion of the symposium meeting, and was a topic discussed in detail in the Wastewater Charges Work Group meeting held on July 18. It certainly is our intent to publish an updated schedule with a more detailed timeline from which we can identify and track critical milestones as we move forward.

2) Development of a new study to replace the 1979 costs allocation study:

- a) Work toward a new cost allocation study was formally kicked off at the July 18 meeting where we proposed a work group for this effort. The initial focus will be to provide a thorough understanding of how the System is currently designed and operated, so that informed opinions regarding cost causation and cost allocation approaches can be explored. The specifics regarding the work effort for a “neutral third party” in this process will be a part of future meetings, and we encourage Oakland and Macomb representatives to express their preferences. To the degree that the outreach process yields specific direction on the use of a neutral third-party consultant, the work group is being established to move swiftly in that direction.
- b) We agree that quarterly updates are not sufficient to sustain a productive pace on these complex topics and that a more rigorous schedule is warranted. Because of the multi-faceted nature of this complex project, one of the key “next steps” we suggested at the July 18 meeting was the establishment of two closely related and specifically focused work groups that from time to time meet together to share outcomes of their respective work.
 - i) Wastewater Charge Methodology Work Group: This group would attend to the cost allocation facets of the work as noted in paragraphs two and five of your July 10th letter. We envision this group working on scoping the work of a neutral third-party consultant as may determined, reviewing and vetting alternative approaches that may emerge from the review of all of the elements that have been identified, including those articulated in your letter, due consideration of incentives to optimize utilization of treatment capacity and regional infrastructure investments and water quality outcomes in alignment with the goals of the wastewater masterplan. As envisioned the work group would continue to engage throughout the study effort as well as review the final report on recommended allocation method(s). If embraced by the outreach process, we will encourage direct member partner representation on this working group.
 - ii) Sewer SHAREs Work Group: This second work group would be an augmented version of the previous Sewer SHAREs Committee, whereby participation would be encouraged by all first-tier sewer customers. This group would be the home for updates on and consideration of the many technical and data intensive elements that are presently underway such as those identified in paragraphs three, four, six and seven of your letter. Because the final elements of the new charge methodology will not be known for some months, the requirements for field and desktop analyses for peaking as well as sampling will not be fully known until that time. As such, this work group will need to determine what may likely come from the cost allocation work and create a plan to satisfy its technical and/or data needs.
- c) We support the notion of a “blank sheet” approach to the charge methodology with inclusion of peaking, pollutant loading, wet weather allocation and grit as elements among those considered and thoroughly vetted during the initiative. As noted we are proposing placement of this effort within the Wastewater Charge Methodology Work Group’s purview where member partners will have representation.
- d) We support the creation of a modified Sewer SHAREs Work Group where all first-tier member partners are encouraged to directly engage. Given that we have a contract in place with CDM Smith for sewer meter data handling and updates of sewer shares calculations, we are suggesting that CDM Smith lead this Work Group. The start of the effort requires scheduling a series of biweekly, two-hour meetings.

This aggressive meeting schedule may vary at times over the coming months to address items as needed, however, setting the schedule of meetings now will ensure our ability to make the necessary progress while keeping the consistent engagement of our member partners that is imperative to the success of this work group.

- 3) **Metering to improve the estimate of “D+” flow rate:** GLWA remains committed to continuing to enhance efforts to measure flow from the “D+” area of the System. GLWA has already begun work on siting the meters. Please note that our budget planning was substantially complete by the end of calendar year 2017 at which time, out of necessity, we estimated the costs for both D+ metering and sewer share sampling using concepts. The Wastewater Analytics Task Force coalesced around a metering approach for the D+ area in March of this year and the sampling needs for strength of flow remain conceptual to this day. Not being able to clearly define the work in these two cost-intensive initiatives has been challenging from the perspective of ensuring sufficient funds would be available to complete both as is our member partners’ expectation. We opted to move forward with the work we have clarity on which is in the D+ area. The remaining challenge will now be to scope and execute the sampling work. We are confident that we have sufficient resources to complete the necessary work.
- 4) **Sampling to support strength of flow estimates:** Many of the technical representatives are not convinced that additional sampling is essential in order to provide value added information to the cost allocation methodology. That being said, we understand the need to initiate this work to provide data to use in a new cost allocation methodology that may require it. We also understand the desire to have a sampling initiative that includes all first-tier member partners who believe their flow was not represented in what was accomplished in the last round of sampling. This will be conveyed to the Sewer Share Workgroup.
- 5) **Peaking & Storage:** We agree that the WWMP is the best forum to evaluate peak flows in the regional wastewater system. The nature of how to measure and evaluate peak flows may be predicated on cost allocation methodology considerations that we explore over the first part of this study over the next 16 months. Also, we need to focus on the matter at hand, which your letter so accurately depicts as methodology considerations for the FY 2021 SHARES. The WWMP will not provide significant data to guide decisions on that schedule. As such, I suggest we move forward with the concept identified in paragraph two, above, which places the notion of peaking and storage in both work groups. The Wastewater Charge Methodology Work Group would take up the idea in concept within the framework of cost allocation factors and the Sewer SHARES Work Group would take up the technical elements of the options of where and how peaking would need to be measured as well as the natural follow-on topic of quantification for peak shaving using storage.
- 6) **WRRF Increment:** As you accurately noted, we are actively working on a number of inspections, repair and rehabilitation initiatives related to the Detroit River Interceptor, backwater gates and regulators. We are happy to report out on our schedules for this work in the Sewer SHARES Work Group.
- 7) **Shares Formulation:** The July 18 meeting was designed to focus on the framework for a timeline and work plan. We have identified our recommended approach and next steps to break down the multiple facets of this complex work into categories in which we can make the necessary progress.

In the absence of having a new Sewer Charge methodology defined at this point in time, we suggest that the newly constituted Sewer SHAREs Work Group also take up the topic of how the new and refined data would be utilized to update the SHARE calculation if there is no change in allocation methodology for FY2021. Although this approach will create analyses that in hindsight may not have been necessary, I believe it to be the only prudent course of action at this juncture.

In closing, we share your characterization of this as a tremendous effort and its need for conclusion by November of 2019 for use in the FY2021 charge determination. Beyond this important point, the “blank sheet” approach to a change in charge methodology has the potential to cause shifting of costs between member partners which will also require challenging conversation and consideration. This is a mutual success scenario for GLWA and all its sewer member partners as we strive to achieve approaches that will stabilize methodology and reduce volatility in charges moving forward. We look forward to partnering with you and other member partners in this endeavor.

Sincerely yours,



Sue F. McCormick
Chief Executive Officer